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SUBJECT: MILLENNIUM CHALLENGE CORPORATION JUNE VISIT TO GHANA

Summary

1. (SBU) Millennium Challenge Corporation (MCC) officials met with GoG leaders, donors and Ghana's private sector, civil society and media during their June 6-9 visit. Finance Minister Osafo Maafo reiterated Ghana's intention to use the Ghana Poverty Reduction Strategy (GPRS) as a framework for the MCA compact. Donors urged the MCC to provide direct budget support. Private sector/civil society supported this strategy, but questioned the GoG's ability to draft, implement and monitor a sound proposal. The Finance Minister wants Ghana to be one of the first to submit a quality proposal. The MCC team agreed to clarify and supplement existing guidance on proposal preparation. End Summary.

MCC Team Lays out Framework

2. (SBU) The MCC team of Drew Luten, Rod Norman and Delia Welsh made a three-day visit to Accra, Ghana, June 6-9. During multiple meetings with GoG officials, Parliamentarians, business leaders, civil society and other donors, they introduced the MCA, discussed its concepts, and clarified and expanded the guidance for preparing compacts. Team leader Drew Luten emphasized that Ghana must take ownership of the program and drive the process. The proposal should not be a laundry list of ideas and should not include projects that other donors had rejected. It must provide a strategic vision for how it plans to promote faster economic growth while at the same time reducing poverty, and explain how proposed projects support that vision. The GoG should identify major constraints to growth, and present a plan for overcoming these constraints with the help of MCA funds. The GoG must also justify why MCA is the appropriate source of funding. Civil society buy-in and donor coordination are critical to the process, and must be reflected in the compact.

3. (SBU) Luten said the GoG should use the MCC website guidance to coordinate and develop a proposal that includes the strategic vision, specific project proposals, implementation plan, plans for monitoring and evaluation and accountability, and clear and measurable results. (Comment: The point is to force governments to come up with big impact projects that they and civil society believe will have the largest impact on the economy, short, medium or long term. End Comment)

4. (SBU) The MCC team clarified that there is no deadline for proposals, and countries should err on the side of quality rather than early completion. The MCC will move on the best proposals first and defer low-quality proposals that require extensive consultation. Luten expects the MCC to receive the first proposals within a few months.

Government Reaction and Perspectives

5. (SBU) Finance Minister Yaw Osafo Maafo lead the GoG side, which included Ministers of Trade, Private Sector Development, Health, Education, and Roads and Transport. GoG officials said they understood the importance of civil society buy-in and donor coordination and were confident that they could handle it. Osafo Maafo reiterated earlier statements that the GoG would use the GPRS as a guide for selecting priority projects and developing a compact. The GPRS is the existing "strategic vision" and already has society-wide endorsement. It has principles similar to the MCA: economic stability, growth and employment generation, human resource development, good governance, and help for the vulnerable and excluded.

6. (SBU) The GPRS was completed over 20 months, during which a GoG team identified priorities with community input, drafted a policy framework with targets and a monitoring and evaluation plan, held national consultations on the draft document, and obtained Parliamentary approval of the final strategy. The GPRS is reviewed annually at the National Economic Dialogue. IMF, World Bank, and Multi-Donor Budget Support (MDBS) donors use it to guide their programs. It provides the basis for developing the annual budget.

7. (SBU) Osafo Maafo stated the current task is to identify specific priorities out of the broader GPRS priorities. There is no shortage of ideas. The Health Minister called

for assistance to doctors to alleviate the brain drain. The Education Minister commented that most donors support primary education, but funding is needed for tertiary levels, particularly technical education. Every ministry is promoting its own projects, and even Parliament is working on a proposal.

18. (SBU) Osafo Maafo is a strong proponent of education as an engine of economic development, but also expressed support for using MCA funds to promote private sector development, an area neglected by donors focused on poverty reduction. Trade Minister Alan Kyerematen supported this position, and plugged a venture capital fund and a Ghanaian Small Business Administration, both aimed to alleviate a major constraint to growth -- lack of access to capital.

Consultation with Development Partners

19. (SBU) IMF, World Bank, and MDBS donors supported using the GPRS as the framework and also argued for integrating MCA funding into the MDBS process and measuring broad outcomes not specific project results. They claimed that the budget is the only instrument capable of absorbing large assistance inflows. Luten downplayed the possibility of providing budget support, but promised close consultation with the donor community. He also stressed that MCA money could be used to co-finance projects supported by other donors.

110. (SBU) Donors praised the USG for developing an innovative assistance vehicle that promotes transparency and competition, but cautioned that human capacity issues in Ghana could impede implementation. They also warned against overburdening the GoG, which already contends with numerous and overlapping donor initiatives -- e.g., MDBS, IMF, World Bank, NEPAD and the UN Millennium Development Goals. Finally, they commented that it took the World Bank and MDBS donors two years to agree on a reform program with the GoG, suggesting that the MCC timeline is ambitious.

Meetings with Civil Society, Business and Town Hall

111. (SBU) The MCC team also participated in well-attended roundtables with business leaders and civil society. GoG officials did not participate in these meetings so as not to hinder discussions. Business and civil society reps supported the GoG strategy of using the GPRS as the basis for developing a compact, but were skeptical about the GoG's capacity to develop and implement a good proposal. On June 9, the GoG hosted its own private sector/civil society roundtable, with similar results.

112. (SBU) Several civil society representatives questioned whether the GoG would engage other sectors in the MCA process, and expressed a preference for having the MCC play a more hands-on role. They also questioned whether the GoG partnership with the MCC would be as one-sided or unequal as the World Bank/IMF relationships. While business leaders fully supported the MCA's pro-growth orientation, civil society supported the GPRS focus on poverty alleviation, and raised concerns as to whether growth would be equitable.

113. (SBU) In addition to the GPRS, representatives highlighted other public/private consultations, including the National Economic Dialogue and the GoG's engagement of the Private Enterprise Foundation and other private sector bodies on the national budget. Other initiatives include NEPAD and the UN Millennium Development Goals and there had been little effort to link these to the GPRS. (Note: The Finance Minister has also commented that the GoG needs to do more to harmonize these initiatives. End Note) Many echoed donor calls to link the MCA to the MDBS.

114. (SBU) The MCC team clarified that funding will go through the GoG, which must coordinate the drafting and submission of the compact. (Note: Some participants asked about local media allegations that country selections were linked to Article 98 and the International Criminal Court. Luten clarified that Article 98 had no role in the MCA process, which is totally transparent and accessible via the website. End Note)

115. (SBU) The MCC team also participated in an Embassy-wide town hall meeting on June 9 to explain the new assistance program to Embassy employees, especially FSNs. Many local employees, especially senior USAID FSNs, raised similar concerns regarding funding mechanisms, GoG capacity, coordination with other donors, and inclusion of civil society.

Next Steps

116. (SBU) The MCC team agreed to review the website guidance and supplement or clarify it where necessary -- to narrow the range of ambiguity. They also agreed to consider whether to provide broad funding parameters, to give countries a better idea of what size projects they should pursue. Luten told

Emboffs that MCC staff would also consider providing guidance on what is expected in terms of a first draft. They do not want governments to develop detailed proposals that are totally off the mark. Rather, they may first ask governments to present something of a scope paper -- more than an outline, but less than a proposal.

17. (SBU) Osafo Maafo agreed to identify the key GoG points of contact for MCA matters. While he seemed to understand the MCC directive on quality, his clear objective is to be one of the first in the queue. He stated that it was "clear in his mind" that the GoG proposal should include a combination of projects in different sectors. (Comment: Finance Ministry officials reassured Econoffs that Osafo Maafo realizes his job is to carefully vet all internal proposals and pick the few, high-impact ones that fit within the pared down GPRS strategic vision. End Comment)

Comment

18. (SBU) There are many critical questions outstanding, including how the funding mechanisms will work, how to ensure the governments provide quality proposals with adequate societal consultation, and what role, if any, Embassies should or can play. The MCC team clarified that they do not expect Embassies to avoid the normal contact and interaction with government officials, and said they understood that MCA would come up in our conversations. However, Emboffs should restrain from discussing specific proposals and giving technical advice. This limitation does not apply to other donors, and Post is aware that mid-level World Bank and GoG officials have informally discussed the prospect of using MCA money to fund the GoG's equity stake in the West Africa Gas Pipeline.

19. (SBU) Despite uncertainties and civil societies concerns about capacity, the GoG is in relatively good shape to develop a decent proposal, or at least a first draft. The GPRS provides a good framework and has broad support. Finance Minister Osafo Maafo is one of the strongest ministers and is personally overseeing the project development process. Finally, Ghana has the advantage of the MDBS process, which has created sophisticated harmonization and communication among donors and with the GoG. End Comment.
Yates